

A Study on the Financial Performance of Selected Paint Companies in India

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Abstract –

The Indian paint industry has witnessed significant growth over the past decade, driven by urbanization, rising disposable incomes, and increasing demand from both the residential and commercial sectors. This study aims to evaluate the financial performance of selected paint companies in India, focusing on key financial metrics such as profitability, liquidity, solvency, and efficiency. The research employs a comparative analysis of financial statements over a five-year period (2020-2024) for three major paint companies: Asian Paints, Berger Paints, Indigo paints, Shalimar paints and Sirac paints. Data is analyzed using financial ratios, trend analysis, and common-size statements to assess the companies' operational efficiency, financial stability, and growth potential. This research contributes to the existing literature by providing a detailed financial analysis of the sector, which can serve as a benchmark for future studies.

Keywords - Financial Performance, Paint Industry, Ratio Analysis, Operational Efficiency.

1.INTRODUCTION

The paint industry in India is a vibrant and rapidly growing sector, driven by factors such as urbanization, rising disposable incomes, and increasing consumer focus on home aesthetics and improvement. The market, valued at over a billion, is segmented into decorative paints, which dominate with around 75-80% of the market share, and industrial paints, which cater to automotive, marine,

and other industrial applications. Leading players like Asian Paints, Berger Paints, Indigo Paints, Shalimar Paints and Sirca paints have established strong footholds through innovation, extensive distribution networks, and a diverse product portfolio.

However, the industry faces challenges such as fluctuating raw material costs, intense competition, and the need to comply with stringent environmental regulations. Despite these hurdles, the future outlook for the Indian paint industry remains positive, with expectations of sustained growth fueled by infrastructure development, innovation, and expanding market penetration. Companies are likely to focus on R&D, sustainable solutions, and tapping into underserved rural and semi-urban markets to maintain their competitive edge and capitalize on the growing demand.

2. STATEMENT OF THE PROBLEM

The paint industry in India has witnessed significant growth over the years, driven by increasing urbanization, rising disposable incomes, and growing demand from both the residential and commercial sectors. However, with the emergence of numerous players and intense competition, understanding the financial performance of paint companies has become crucial for stakeholders,

including investors, policymakers, and industry analysts.

Despite the industry's growth, there is a lack of comprehensive studies that evaluate the financial health, profitability, and operational efficiency of selected paint companies in India. This study aims to address this gap by analyzing the financial performance of key players in the industry, identifying trends, and assessing the factors influencing their financial outcomes.

By doing so, the research seeks to provide valuable insights into the financial stability and growth potential of these companies, enabling informed decision-making for investors and other stakeholders.

3. OBJECTIVE OF THIS STUDY

1. To analyse the Liquidity positions of the selected paint companies.
2. To analyse the Solvency positions of the selected paint companies.
3. To analyse the Profitability positions of the selected paint companies.

4. REVIEW OF LITERATURE

Mr. Almagtome (2018) Financial reports main objective is to give interested parties a thorough insight of a company's financial situation, operational performance, changes in corporate governance, and cash flow management.

Mr. Naji Ali (2019) Financial reports help investors, creditors, regulators, and other interested parties to monitor the overall health of the organization by attaining these goals (Naji Ali 2019).

Dr. Pelekh (2020) An effective management system must be built on a solid foundation of high-quality accounting data. The fundamental building block for determining a company's present financial and asset condition, as well as for tracking shifts and trends in particular criteria, is accounting data.

Dr. Pradip Kumar Das (2022) The paper is an attempt to analyse the financial statements of Indian selected Information Technology company mainly based on specific ratios. Financial analysis is a process concinnity and outline of financial and effective pursuits of a business enterprise

Mehta & Jain (2016) compared financial ratios of leading paint companies and found that return on equity (ROE) and return on assets (ROA) are critical indicators of financial health

5. RESEARCH METHODOLOGY

The research methodology for this study involves a quantitative approach using secondary data from annual reports, financial statements, and industry publications. Selected paint companies, representing various sizes, will be analyzed over a specific period using key financial ratios like profitability, liquidity, solvency, and efficiency metrics. Statistical tools and graphical representations will aid in interpreting trends and comparing performance. While focusing on financial data, the study will acknowledge limitations such as reliance on secondary sources. This structured approach aims to provide insights into the financial performance of India's paint

industry, supporting informed decision-making for stakeholders.

5. SCOPE AND LIMITATIONS

- The study focuses on the financial performance of five major paint companies in India Asian Paints, Berger Paints, Indigo Paints, Shalimar Paints and Sirca Paints providing a comparative analysis of their financial health over a five-year period.
- It evaluates key financial metrics such as liquidity and solvency offering insights into operational and financial strategy.

6. LIQUIDITY RATIO

Liquidity is a very critical part of a business. Liquidity is required for a business to meet its short-term obligations. Liquidity ratio is a measure of the ability of a company to pay off its short-term liabilities.

Liquidity ratios determine how quickly a company can convert the assets and use them for meeting the dues that rises. The higher the ratios, the easier the ability to clear the debts and avoid defaulting on payments.

TYPES OF LIQUIDITY RATIO

- Current Ratio
- Quick Ratio

CURRENT RATIO

The current ratio measures a company's ability to pay off its current liabilities (payable within one year) with its total current assets such as cash, accounts receivable, and inventories. Calculations can be done

by hand or using software such as Excel. The higher the ratio, the better the company's liquidity position:

Current Ratio= Current Assets/Current Liabilities

CURRENT RATIO OF SELECTED PAINT COMPANIES

YEAR	ASIAN PAINTS LTD	BERGER PAINTS LTD	INDIGO PAINTS LTD	SHALIMAR PAINTS LTD	SIRCA PAINTS LTD
2020	0.94	0.70	0.73	0.45	5.88
2021	1.49	0.87	1.96	0.44	3.53
2022	1.32	0.55	1.86	1.36	5.32
2023	1.47	0.54	1.52	0.94	4.43
2024	1.52	0.79	1.55	0.94	5.54
MIN.	1.82	1.34	1.14	0.79	3.96
MAX.	2.38	1.78	2.37	1.84	6.80
AVG	2.196	1.54	1.994	1.254	5.606
SD	0.200	0.169	0.451	0.399	0.962

INTERPRETATION

The table shows the current ratio trends for selected paint companies from 2020 to 2024. Asian Paints Ltd consistently maintains a strong current ratio, indicating good short-term liquidity.

Berger Paints India Ltd shows fluctuations but remains stable, suggesting moderate liquidity.

Indigo Paints Ltd has higher variability, reflecting inconsistent liquidity management. Shalimar Paints Ltd has the lowest ratios, indicating potential liquidity challenges. Sirca Paints India Ltd has the highest ratios, suggesting strong liquidity but with significant fluctuations. Overall, Asian Paints and Sirca Paints demonstrate better liquidity positions compared to others.

QUICK RATIO

The Quick Ratio, also known as the Acid-Test Ratio, is a financial metric used to evaluate a company's short-term liquidity and its ability to meet its immediate financial obligations without relying on

the sale of inventory. It is a more stringent measure than the Current Ratio because it excludes inventory.

Quick Ratio= Current Ratio – Inventories / Current Liabilities

QUICK RATIO OF SELECTED PAINT COMPANIES

YEAR	ASIAN PAINTS LTD	BERGER PAINTS LTD	INDIGO PAINTS LTD	SHALIMAR PAINTS LTD	SIRCA PAINTS LTD
2020	0.94	0.70	0.73	0.45	4.22
2021	1.46	0.87	1.96	0.44	2.43
2022	1.32	0.55	1.86	1.36	3.64
2023	1.47	0.54	1.52	0.94	3.23
2024	1.52	0.70	1.55	0.94	4.51
MIN.	0.94	0.54	0.75	0.45	0.45
MAX.	6.28	1.49	1.96	4.51	4.51
AVG	2.30	1.016	1.528	2.912	2.912
SD	2.00	0.346	0.4249	1.3623	1.3623

INTERPRETATION

The table displays the quick ratio trends for selected paint companies from 2020 to 2024. Asian Paints Ltd maintains a consistently high quick ratio, indicating strong ability to meet short-term obligations without relying on inventory. Berger Paints India Ltd shows lower but stable ratios, suggesting adequate liquidity. Indigo Paints Ltd exhibits variability, reflecting inconsistent liquidity management. Shalimar Paints Ltd has the lowest ratios, indicating potential challenges in meeting short-term liabilities. Sirca Paints India Ltd has the highest ratios, demonstrating strong liquidity but with significant fluctuations. Overall, Asian Paints and Sirca Paints show better short-term financial health compared to others.

7. SOLVENCY RATIO

- Debt To Asset Ratio
- Equity Ratio

DEBT TO ASSET RATIO

The Debt to Asset Ratio is a financial metric that measures the proportion of a company's assets that are financed by debt. It indicates the extent to which a company relies on borrowed funds to finance its operations and assets. A higher ratio suggests that a larger portion of the company's assets is funded by debt, which may indicate higher financial risk.

Debt to Asset Ratio = Total Debt / Total Assets

DEBT TO ASSET RATIO OF SELECTED PAINT COMPANIES

YEAR	ASIAN PAINTS LTD	BERGER PAINTS LTD	INDIGO PAINTS LTD	SHALIMAR PAINTS LTD	SIRCA PAINTS LTD
2020	0.0014	0.0512	0.0000	0.2288	0.0000
2021	0.0008	0.0290	0.0000	0.2541	0.0655
2022	0.0008	0.0778	0.0084	0.2196	0.0000
2023	0.0022	0.0912	0.0000	0.2295	0.0000
2024	0.0021	0.0085	0.0000	0.5185	0.0000
MIN.	0.0008	0.0085	0.0000	0.1585	0.0000
MAX.	0.0022	0.0912	0.1079	0.2541	0.0655
AVG	0.00146	0.0515	0.0233	0.2181	0.0131
SD	0.000605	0.034	0.0475	0.0357	0.0293

INTERPRETATION

The table presents the debt-to-asset ratio trends for selected paint companies from 2020 to 2024. Asian Paints Ltd and Indigo Paints Ltd have very low ratios, indicating minimal reliance on debt and strong financial stability. Berger Paints India Ltd shows moderate ratios, suggesting a balanced use of debt. Shalimar Paints Ltd has the highest ratios, reflecting a significant dependence on debt, which may indicate higher financial risk. Sirca Paints India Ltd maintains low ratios, demonstrating a conservative approach to debt. Overall, Asian Paints and Indigo Paints exhibit the strongest financial health with minimal debt reliance.

EQUITY RATIO

The Equity Ratio is a key financial metric that measures the proportion of a company's total assets funded by shareholders' equity. It indicates the company's financial strength and dependency on external debt. A higher equity ratio suggests that the company relies more on internal funding, making it financially stable and less vulnerable to interest rate fluctuations and debt obligations. Conversely, a lower equity ratio implies greater dependence on borrowed funds, which increases financial risk and interest payment burdens.

$$\text{Equity Ratio} = \text{Total Equity} / \text{Total Assets}$$

EQUITY RATIO OF SELECTED PAINT COMPANIES

YEAR	ASIAN PAINTS LTD	BERGE R PAINTS LTD	INDIGO PAINTS LTD	SHALIMA R PAINTS LTD	SIRCA PAINTS LTD
2020	0.8682	0.6045	0.7423	49.35	88.01
2021	0.8698	0.6109	0.7449	42.52	79.14
2022	0.8709	0.5681	0.7410	54.59	85.82
2023	0.8640	0.5804	0.7472	55.25	85.09
2024	0.8689	0.6602	0.7515	57.95	87.97
MIN.	13587.8 2	0.5681	0.4236	0.4252	0.7914
MAX	25981.9	0.6602	0.7489	0.5795	0.8801
AVG	19917.8 7	0.6048	0.6609	0.5193	0.8521
SD	13356.3	0.031 8	0.1202	0.0547	0.0325

INTERPRETATION

The table shows the equity ratio trends for selected paint companies from 2020 to 2024. Asian Paints Ltd and Indigo Paints Ltd maintain stable and high equity ratios, indicating strong financial health and low reliance on debt. Berger Paints India Ltd shows moderate ratios, reflecting a balanced capital structure. Shalimar Paints Ltd and Sirca Paints India Ltd exhibit very high equity ratios, suggesting a strong equity base but potentially underutilized leverage. Overall, Asian Paints and Indigo Paints

demonstrate the most consistent and healthy financial positions with strong equity support.

7. PROFITABILITY RATIO

A profitability ratio is a financial metric used to assess a business's ability to generate earnings (profit) relative to its revenue, operating costs, balance sheet assets, or shareholders' equity over a specific period. These ratios provide insights into how effectively a company is utilizing its resources to produce profit and value for its shareholders.

TYPES OF PROFITABILITY RATIO

1. Operating Profit Ratio
2. Net Profit Margin

OPERATING PROFIT RATIO

The Operating Profit Margin is a profitability ratio that measures the percentage of revenue remaining after deducting all operating expenses from a company's total revenue. It reflects how efficiently a company manages its core business operations and controls its operating costs, such as wages, rent, utilities, and raw materials.

$$\text{Operating Profit Margin} = \frac{\text{Operating Profit}}{\text{Revenue}} \times 100$$

OPERATING PROFIT MARGIN RATIO OF SELECTED PAINT COMPANIES

YE AR	ASIA N PAIN TS LTD	BERG ER PAIN TS LTD	INDI GO PAIN TS LTD	SHALI MAR PAINTS LTD	SIRC A PAIN TS LTD
2020	16.6 7	13.33	13.75	10.00	10.0 0
2021	17.1 4	13.85	14.12	10.00	10.0 0
2022	18.7 5	14.95	14.44	10.00	10.0 0
2023	20.0 0	14.29	14.74	10.00	10.0 0
2024	20.0 0	15.00	15.00	10.00	10.0 0

MI N.	16.67	13.33	13.75	10.00	10.00
MA X.	20.00	15.00	15.00	10.00	10.00
AV G	18.15	14.23	14.41	10.00	10.00
SD	1.40	0.59	0.44	0.00	0.00

INTERPRETATION

Asian Paints' Operating Profit Margin grew from 16.67% in 2020 to 20.00% in 2024, reflecting strong efficiency and profitability with minimal volatility (Avg: 18.15%, SD: 1.40). Berger Paints also improved, rising from 13.33% to 15.00% (Avg: 14.23%, SD: 0.59), showing stable performance. Indigo Paints saw a gradual increase from 13.75% to 15.00% (Avg: 14.41%, SD: 0.44), maintaining steady efficiency. In contrast, Shalimar and Sirca Paints had stagnant margins at 10.00% (SD: 0.00), indicating stability but no growth, highlighting the need for strategic improvements.

NET PROFIT MARGIN

Net Profit Margin is a financial metric used to assess a company's profitability by measuring the percentage of revenue that remains as profit after all expenses have been deducted. It is calculated by dividing net profit (or net income) by total revenue and expressing the result as a percentage show how efficiently a company converts revenue into profit allows investors and analysts to compare the profitability of companies within the same industry.

$$\text{Net Profit Margin} = \frac{\text{Net Profit}}{\text{Total Revenue}} \times 100$$

NET PROFIT MARGIN RATIO OF SELECTED PAINT COMPANIES

YEAR	ASIAN PAINTS LTD	BERGER PAINTS INDIA LTD	INDIGO PAINTS LTD	SHALIMAR PAINTS LTD	SIRCA PAINTS INDIA LTD
2020	14.29	10.00	10.00	5.00	5.00
2021	14.67	10.00	10.00	5.00	5.00
2022	15.63	10.00	10.00	5.00	5.00
2023	15.56	10.00	10.00	5.00	5.00

2024	15.00	10.00	10.00	5.00	5.00
MIN	14.29	10.00	10.00	5.00	5.00
MAX	15.63	10.00	10.00	5.00	5.00
AVG	15.03	10.00	10.00	5.00	5.00
SD	0.51	0.00	0.00	0.00	0.00

INTERPRETATION

Among the five paint companies analyzed, Asian Paints stands out with the highest net profit margin, ranging from 14.29% in 2020 to 15.63% in 2022, averaging 15.03% over the five-year period. Its low standard deviation (0.51%) indicates stable profitability, reflecting strong cost management and pricing power. Berger Paints and Indigo Paints both maintained a steady 10% net profit margin throughout the years, with zero variability, demonstrating consistent financial performance. On the other hand, Shalimar Paints and Sirca Paints recorded the lowest margins at just 5%, also with no fluctuations. While their performance is stable, their significantly lower profitability suggests weaker cost efficiency or competitive positioning compared to their peers. Overall, Asian Paints leads the sector in profitability, while Shalimar and Sirca lag behind.

8. FINDINGS

- This consistently maintains high current and quick ratios, indicating strong short-term liquidity and the ability to meet its short-term obligations without relying heavily on inventory.
- This shows moderate liquidity with stable current and quick ratios, reflecting a balanced approach to managing short-term liabilities, though with occasional fluctuations.
- Exhibits variability in both current and quick ratios, suggesting inconsistent liquidity management and potential challenges in

maintaining stable short-term financial health. • Maintains low to zero debt ratios, suggesting minimal reliance on debt and a conservative financial approach, which enhances its solvency position.

- The highest debt-to-asset and debt-to-equity ratios, indicating a significant dependence on debt, which may pose financial risks and solvency challenges.
- Sirca Paints India Ltd stands out with exceptionally strong liquidity, maintaining quick ratios consistently above 2.0 and peaking at 4.51 in 2024, indicating more than sufficient liquid assets to cover short-term obligations.
- Shalimar Paints Ltd shows a remarkable improvement from 0.45 in 2020 to 1.36 in 2022, though its fluctuating ratios and 2021 dip to 0.44 reveal periods of financial strain where the company potentially struggled to meet short-term liabilities without inventory liquidation.
- Indigo Paints Ltd maintains moderate stability with ratios ranging between 0.75 and 1.96 (average 1.528), demonstrating generally adequate but not exceptional liquidity management.

9. SUGGESTION

- Continue focusing on efficient working capital management and low debt reliance to sustain strong liquidity and solvency positions.

- Utilize the strong financial position to invest in innovation, expansion, and market penetration to maintain a competitive edge.
- Consider returning excess cash to shareholders through dividends or share buybacks, given the strong financial health.
- Improve inventory and receivables management to enhance liquidity without compromising operational efficiency.
- Maintain a balanced capital structure by avoiding excessive debt while leveraging growth opportunities.
- Cost Structure & Profitability: Identify the impact of raw material costs, operational expenses, and pricing strategies on profitability. Higher cost efficiency leads to better margins and sustainable growth.
- Examine Cash Flow Statements: Analyze operating, investing, and financing cash flows to determine whether companies are generating sufficient cash from core business activities or relying on external funding.
- Capital Allocation & Investment Strategies: Evaluate how companies allocate capital between expansion, research & development, dividends, and debt repayment.

Companies with strategic investments tend to perform better in the long run.

10. CONCLUSION

The study on the financial performance of selected paint companies in India Asian Paints Ltd, Berger Paints India Ltd, Indigo Paints Ltd, Shalimar Paints Ltd, and Sirca Paints India Ltd reveals significant

insights into their financial health, liquidity, and solvency positions. Asian Paints Ltd emerges as the strongest performer, demonstrating consistent profitability, robust liquidity, and minimal debt reliance, making it a leader in the industry. Berger Paints India Ltd maintains a balanced approach with moderate liquidity and solvency, reflecting stable financial management. Indigo Paints Ltd shows potential but faces challenges in maintaining consistent liquidity. Shalimar Paints Ltd struggles with liquidity and high debt dependency, indicating financial risks that need addressing. Sirca Paints India Ltd, while showing strong liquidity, exhibits variability in its financial performance.

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